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SUBJECT: USSR-GOM AGREEMENT FOR DEVELOPMENT OF MESKALA PHOSPHATES
INITIALED

REF: A) RABAT 448; B) 77 RABAT 4354; C) 77 RABAT 3999

SUMMARY. LOCAL PRESS (BOTH PRO-GOVERNMENT AND ISTIQLAL) REPORTS THAT
OCP (NATIONAL PHOSPHATE MONOPOLY) DIRECTOR GENERAL KARIM-LAMRANI
INITIALED AN AGREEMENT IN MOSCOW CALLING FOR THE USSR TO INVEST 2
BILLION DOLLARS FOR THE DEVELOPMENT OF THE PHOSPHATE DEPOSITS AT
MESKALA. PRIME MINISTER OSMAN IS EXPECTED TO SIGN MESKALA AGREEMENT
DURING FEBRUARY VISIT TO MOSCOW. ADDITIONAL AGREEMENTS CONCERNING
TECHNICAL/SCIENTIFIC COOPERATION AND AGRICULTURAL TRADE WERE SIGNED
AT RABAT AND MOSCOW RESPECTIVELY. ARTICLES INDICATE THAT AS A RESULT
OF THESE AGREEMENTS MOROCCO WILL BECOME THE LARGEST AFRICAN TRADING
PARTNER OF THE SOVIET UNION (END SUMMARY).

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1. LOCAL PRESS REPORTS THAT OCP DIRECTOR GENERAL KARIM-LAMRANI
INITIALED A NEW FOUR PART ECONOMIC AND COMMERCIAL AGREEMENT
IN MOSCOW ON JANUARY 27, 1978 WHICH WILL ELEVATE MOROCCO TO
FIRST PLACE AMONG THE SOVIET UNION'S AFRICAN TRADING PARTNERS.
THE AGREEMENT, WHICH KING HASSAN II TERMED, QUOTE THE CONTRACT
OF THE CENTURY UNQUOTE, IS HIGHLIGHTED BY A SOVIET COMMITMENT
TO INVEST \$2 BILLION TO DEVELOP THE PHOSPHATE DEPOSITS AT

MESKALA. INITIALING THE AGREEMENT FOR THE SOVIET UNION WERE MR. MORDINOU, VICE PRESIDENT OF STATE COMMITTEE FOR FOREIGN RELATIONS AND MR. MONJOUL FIRST ASSISTANT SECRETARY FOR FOREIGN COMMERCE.

2. THE INITIALED AGREEMENT CONSISTS OF FOUR MAIN PARTS: 1) A LONG-TERM AGREEMENT ON ECONOMIC AND TECHNICAL COOPERATION IN THE PHOSPHATE INDUSTRY; 2) AN AGREEMENT ON THE EXCHANGE OF PRODUCTS; 3) A SPECIAL AGREEMENT ON THE EXCHANGE OF PRODUCTS FOR THE PERIOD 1978-1980; 4) A SPECIAL PROTOCOL CONCERNING THE INVESTMENTS REQUIRED FOR THE FIRST STAGE OF THE DEVELOPMENT OF THE PHOSPHATE DEPOSITS AT MESKALA. PRIME MINISTER OSMAN IS EXPECTED TO SIGN THE AGREEMENT DURING A FEBRUARY VISIT TO MOSCOW.

3. THE SOVIET COMMITMENT TO INVEST \$2 BILLION TO DEVELOP THE MESKALA PHOSPHATE DEPOSITS (LOCATED IN PROVINCE OF ESSAOUIRA) WILL INCLUDE THE CONSTRUCTION OF A MINING FACILITY, LOCAL ROAD NETWORK, RAILWAY LINE TO THE OCEAN, AND STORAGE AND PORT FACILITIES. THE PROJECT IS EXPECTED TO REQUIRE 8-10 YEARS FOR COMPLETION.

4. THE PORTION OF THE AGREEMENT RELATING TO EXCHANGE OF PRODUCTS CALLS FOR A 30 YEAR TRADE PERIOD DURING WHICH MOROCCO IS TO SELL 10 MILLION TONS OF PHOSPHATE ROCK ANNUALLY TO THE SOVIET UNION (WHEN THE MESKALA PHOSPHATE DEPOSITS HAVE BEEN BROUGHT INTO PRODUCTION) AND TO SUPPLY AGRICULTURAL PRODUCTS TO THE SOVIET MARKET. IN EXCHANGE, THE SOVIET UNION WILL SUPPLY MOROCCO WITH PETROLEUM, WOOD, CHEMICAL PRODUCTS, UNCLASSIFIED

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MACHINERY, TOOLS AND TRACTORS.

5. AN ADDITIONAL AGRICULTURAL AGREEMENT, SIGNED IN MOSCOW ON JANUARY 27, 1978, CALLS FOR MOROCCO TO DELIVER 190,000 TONS OF ORANGES VALUED AT \$58 MILLION TO THE SOVIETS DURING THE 1977-78 SEASON (VS 202,000 TONS IN 1976-1977 SEASON).

6. A SOVIET-MOROCCAN AGREEMENT ON TECHNICAL AND SCIENTIFIC COOPERATION FOR 1978-1979 WAS ALSO SIGNED IN RABAT ON JANUARY 27, 1978. THIS AGREEMENT CALLS FOR SOVIET-MOROCCAN COOPERATION IN THE FOLLOWING AREAS: 1) OCEANOGRAPHY; 2) GEOLOGY; 3) STANDARDIZATION; 4) METEOROLOGY; 5) PHOSPHATE TECHNOLOGY; 6) STUDY OF ARID REGIONS.

7. LOCAL PRESS NOTED THAT THE NEW SERIES OF AGREEMENTS (INITIALED OR SIGNED) HAVE A POTENTIAL VALUE OF MORE THAN \$9 BILLION AND, STAND TO MAKE MOROCCO THE MOST IMPORTANT AFRICAN TRADING PARTNER OF THE SOVIET UNION

8. CONSPICUOUSLY MISSING FROM MASS CIRCULATION DAILIES' COVERAGE IS THE AMOUNT OF PHOSPHATE ROCK, IF ANY, TO BE SHIPPED TO THE USSR BEFORE MESKALA PRODUCTION COMES ON STREAM IN 8 TO 10 YEARS. ONE SPECIALIZED ECONOMIC NEWSPAPER, WHICH HAS NOT ALWAYS PROVED RELIABLE, PUBLISHED A STORY JANUARY 27 STATING THAT DURING THE FIRST PHASE OF THE AGREEMENT 5 MILLION TONS OF PHOSPHATE ROCK WERE TO BE EARMARKED FOR THE SOVIETS

FROM NON-MESKALA PRODUCTION. THIS WAS TO INCREASE TO 10 MILLION TONS WHEN MESKALA BECAME OPERATIONAL. THE SAME JOURNAL ALSO NOTED THAT AS PART OF THE OVERALL MESKALA DEAL, THE USSR WOULD BE SHIPPING TO MOROCCO (PRESUMABLY PARTLY IN EXCHANGE FOR THE LATTER'S ROCK SHIPMENTS BUT IN UNSPECIFIED AMOUNTS) VARIOUS CHEMICAL PRODUCTS INCLUDING SULPHUR (FOR MAROC CHIMIE'S SULPHURIC ACID PLANTS) POTASSIUM, AMMONIA AND UREA.

9. REF C PARA 2-4 REMAIN, IN OUR VIEW, VALID ANALYSIS OF GOM MOTIVATIONS AND ASPIRATIONS FOR THESE AGREEMENTS.
ANDERSON UNQUOTE CHRISTOPHER

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